

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

<b>UNITED STATES OF AMERICA</b>	<b>:</b>	
<b>v.</b>	<b>:</b>	<b>No.</b>
<b>AMERICAN-AMICABLE LIFE</b>	<b>:</b>	
<b>INSURANCE COMPANY OF TEXAS,</b>	<b>:</b>	
<b>PIONEER AMERICAN</b>	<b>:</b>	
<b>INSURANCE COMPANY, and</b>	<b>:</b>	
<b>PIONEER SECURITY LIFE INSURANCE</b>	<b>:</b>	
<b>COMPANY</b>		

**CONSENT ORDER OF COURT FOR PERMANENT INJUNCTION**

Plaintiff, United States of America, acting through the United States Department of Justice and the United States Attorney's Office for the Eastern District of Pennsylvania, having instituted a civil action for injunctive relief under the Fraud Injunction Statute, 18 U.S.C. § 1345, against American-Amicable Life Insurance Company of Texas, Pioneer American Insurance Company, and Pioneer Security Life Insurance Company, and, for the purposes of settlement, without this Order constituting evidence against any party or any admission by any party, NOW THEREFORE, upon the consent of the parties hereto, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED AS FOLLOWS:

**I. PARTIES TO CONSENT ORDER FOR PERMANENT INJUNCTION**

- A. The United States of America is the plaintiff in this case.
- B. Defendants are American-Amicable Life Insurance Company of Texas (hereafter "American-Amicable"), Pioneer American Insurance Company (hereafter "Pioneer American"), and Pioneer Security Life Insurance Company (hereafter "Pioneer

Security”), each of which maintains its home office at 425 Austin Avenue, Waco, Texas, 76701 (hereafter, collectively, “the Company”).

## **II. DEFINITIONS**

A. “Building Success Marketing System” is an exclusive marketing system offered by the Company and copyrighted in 1998 by the Company. The System includes both written materials and verbal sales techniques.

B. “Cash Compensation Period” means a period of twelve months from the “Effective Date”.

C. “Company” refers to the American-Amicable Life Insurance Company of Texas, and includes, unless otherwise noted, Pioneer American Insurance Company and Pioneer Security Life Insurance Company.

D. “Compensation Eligible Policyholder” means a servicemember or a spouse or a dependent of a servicemember who was: (a) issued an Eligible Policy during the period January 1, 2000 through the Effective Date; (b) who has not previously received a full refund from the Company; and (c) who, according to a formula developed and approved by the government parties, is due compensation greater than \$5.00.

E. “Effective Date” means the date the Multi-State Regulatory Settlement Agreement In the Matter of American-Amicable Life Insurance Company of Texas, Pioneer American Insurance Company, Pioneer Security Life Insurance Company (hereafter, the “Multi-State Agreement”) is executed by the insurance regulators of those states which comprise 70% of Eligible Policies as set out in **Exhibit A**, or the date the Company, in its sole discretion, deems that an acceptable number of states have agreed to execute this Agreement.

F. “Eligible Policy” means a Company or affiliate product commonly known and marketed as “Horizon Life” or “Wealth Builder” upon which a death benefit has not been paid. An Eligible Policy consists of a term life contract (AA93-8757, PA93-8757, PS93-8757) with an “Annuity Accumulation Fund Rider (AAFR)” (AA8831, PA8831, PS8831). An Eligible Policy may or may not also include a “Twentieth Year Accumulation Value Additions Endorsement (Endorsement)” (AA8904, PA8904,

PS8904), which guarantees a credit to the AAFR on the 20<sup>th</sup> policy anniversary (Twentieth Year Benefit) if the policy is still in force.

G. “Government Parties” means the United States Department of Justice (“DOJ”), the United States Securities and Exchange Commission (“SEC”), and the Texas and Georgia Departments of Insurance, acting on their own behalf and on the behalf of the Participating Regulators.

H. “Lead Regulators” means the Florida, Virginia, North Carolina, and Illinois Departments of Insurance and their respective Commissioners of Insurance.

I. “Lead Regulatory Negotiators” means the Georgia and Texas Departments of Insurance and their respective Commissioners of Insurance.

J. “Participating Regulators” means the state insurance regulators (including the insurance regulator of the District of Columbia) that approve and execute the Multi-State Agreement.

K. “Servicemember” means any soldier, sailor, airman, marine, United States Coast Guardsman, or otherwise any person serving in the United States Armed Forces, either in active service or in reserve.

### **III. FINDINGS**

A. This Court has jurisdiction over the subject matter of this case and of the parties consenting hereto for the purposes of entering into and enforcing this Order pursuant to 18 U.S.C. § 1345.

B. Venue is proper as to all parties in the United States District Court for the Eastern District of Pennsylvania.

C. The defendants have conducted business in the Eastern District of Pennsylvania by providing insurance services to policy holders within the district.

D. The defendants, by signature of their representative and counsel herein, waived any right to appeal, petition for certiorari, or move to reargue or rehear this judgment and Order. Entry of this Order is in the public interest.

E. Entry of this Order does not constitute a finding of liability against the defendants and defendants deny any and all allegations.

#### **IV. RECITALS**

A. The Company is licensed to market and sell life, health and accident insurance in Texas, Georgia and numerous other states.

B. The Company offers insurance products in a number of markets. One of these products is a seven-pay, 20-year term life contract combined with an accumulation fund which it denominates "Horizon Life," which the Company markets primarily to members of the United States Armed Forces at home and abroad.

C. The United States, the Lead Regulatory Negotiators, and the Lead Regulators allege that the Company in the ordinary course of marketing and selling Horizon Life to members of the United States military violated insurance or consumer protection statutes in their respective jurisdictions.

D. The Company vigorously denies and does not admit to any wrongdoing or violation of any insurance or consumer protection law or regulation of the United States or any state, but is foregoing its right to a court hearing in exchange for the releases granted herein.

E. The members of the National Association of Insurance Commissioners ("NAIC"), including the Participating Regulators, as the chief regulatory officials of their respective jurisdictions, have jointly agreed to designate the Texas and Georgia Departments of Insurance as the Lead Regulatory Negotiators, in consultation with other regulators, in order to negotiate this Agreement on behalf of and for the benefit of the Participating Regulators and the NAIC.

F. This Consent Order was negotiated in an effort to conclude with finality all allegations involving the Horizon Life product and the marketing and sale of that

product to members of the military prior to the Effective Date. By virtue of the terms and conditions set forth in this Consent Order, the United States and the Company desire to resolve and have resolved all issues arising from or in any way relating to the subject matter herein described on the terms and conditions set forth herein.

G. Concurrently with the execution of this Consent Order, the Company and the Lead Regulatory Negotiators states will execute the Multi-State Agreement which, upon the effective date, will conclude with finality all allegations by the Participating Regulators involving the Horizon Life product and the marketing and sale of that product to members of the military prior to the Effective Date.

H. In addition to the execution of this Consent Order, the Company will execute a Consent of Defendants to Entry of Final Judgment (hereafter, the “Final Judgement”), which, if approved by the SEC, will be filed in United States District Court along with a Proposed Final Judgment. If approved by the District Court, the Final Judgment will be entered and will conclude with finality the allegations asserted by the SEC in its action against the Company involving the Horizon Life product and the marketing and sale of that product to members of the military prior to the Effective Date.

I. This Consent Order and any Complaint or other filings arising out of this Consent Order shall only be filed on or after the Effective Date. In the event the Company terminates the Multi-State Agreement in accordance with the terms of the Multi-State Agreement, this Consent Order shall not be filed.

## **V. COMPENSATION RELIEF**

### **A. *In Force Eligible Policies: Contract Relief***

1. The Company, within 60 days after the Effective Date, shall provide a cash surrender value for the Twentieth Year Accumulation Value Addition Endorsement (“Endorsement”) for each In Force Eligible Policy that includes an Endorsement. This cash surrender value is in addition to and independent of the cash surrender value based on premium allocations to the term life insurance policy and the benefit shall be paid in cash upon surrender or lapse or expiration of the term life policy regardless of forfeiture options to the contrary.

2. The cash surrender values for the Endorsement will be calculated as the difference between: 1) AAFR fund values calculated using an interest rate and AAFR planned contributions at issue to produce twentieth year fund values equivalent to twentieth year AAFR fund values based upon AAFR planned contributions at issue accumulated at 6.5% plus the Twentieth Year Benefit; and 2) AAFR fund values based upon AAFR planned contributions at issue accumulated at 6.5%. The resulting cash value factors per \$1000 of the base term face amount, which shall be fixed at this level regardless of changes in the AAFR current credited interest rate, are illustrated in **Exhibit E**.

3. The Company shall notify, by regular mail, each owner of an Eligible Policy of the additional cash surrender value and shall inform the owner that in the event premiums for the Term Life Insurance Policy remain unpaid on the last day of the grace period such premiums will no longer be paid from funds accumulated under the Annuity Accumulation Fund unless the owner affirmatively and in writing reelects that option. If the owner is a "Compensation Eligible Policyholder", the notice shall also include a check payable to the policy owner for the cash compensation benefit calculated pursuant to **Section V (B)**.

4. The Notices to "In Force Compensation Eligible Policyholders" and to Owners of an "Eligible Policy, No Compensation," which have been approved by the Lead Regulatory Negotiators and are attached hereto as **Exhibits B** and **C**, respectively, will be mailed in accordance with Section V (C) and (D). If a particular jurisdiction requires changes in a policy to be evidenced by an endorsement, then the Company, in addition to providing the notices required by this section, shall provide to the policy owner the documentation required by that jurisdiction.

5. The parties stipulate and acknowledge that the contract relief provided herein is for settlement purposes only and that the Company by agreeing to provide such relief does not admit that the Eligible Policy which was filed and/or approved by the jurisdictions in which it was sold is or was in anyway deficient, unlawful or otherwise improper.

**B. *In Force and Terminated Eligible Policies: Cash Compensation***

1. In consideration of the releases herein provided, the Company agrees to pay \$10 million in settlement of any and all claims the Government Parties may have against the Company in connection with the Horizon Life product and the marketing and sale of that product to members of the United States Military prior to the Effective Date. Such amount will be distributed to all Compensation Eligible Policyholders in accordance with the provisions of this section at the sole discretion of the Government Parties. As to the DOJ, such claims are limited to those expressly released in Section VII(B) below. As to the SEC, the settlement of such claims is governed by the Final Judgment. As to the several states, the settlement of such claims is governed by the Multi-State Agreement.

2. Within ten days after the Effective Date, the Company shall make a Special Deposit in the amount of \$10,000,000 in cash, investment grade securities, or other form of security acceptable to the Texas Insurance Commissioner, with the Texas Comptroller of Public Accounts in accordance with the Order Requiring Special Deposit, attached hereto and incorporated herein as **Exhibit D**. This sum shall remain with the State of Texas until such time as released by Order of the Texas Commissioner of Insurance. Upon certification of the Compensation Verification Protocol as described below, the Texas Commissioner of Insurance shall enter his Order releasing the Deposit, with interest, which shall be distributed to Compensation Eligible Policyholders in accordance with this Consent Order, the Multi-State Agreement, and the Final Judgment.

3. For purposes of distributing the settlement proceeds provided by the Company pursuant to this Consent Order, the Multi-State Agreement, and the Final Judgment, the Government Parties have determined that the Company shall calculate a cash compensation benefit for each Compensation Eligible Policyholder in accordance with a Cash Compensation Formula developed and approved by the Government Parties and set out in **Exhibit F**. The Company shall provide the results of the compensation calculations and any additional requested data to the Government Parties within 30 days of the Effective Date.

4. Subsequent to the calculation of the cash compensation benefit, but prior to its distribution, the Company shall submit the data required by the Compensation

Verification Protocol, attached hereto as **Exhibit G**, to DOJ and to Actuarial Group, Inc., 1015 Tyrone Road, Suite 120, Tyrone, GA 30290 (hereafter, "AGI"). Within 30 days of receipt of the calculations, AGI will test the cash compensation benefit data and calculations for completeness and accuracy and shall certify the results. Upon AGI's certification of the data and the calculations and the approval of the Texas Commissioner of Insurance and the staff of the SEC, the cash compensation benefit shall be distributed in accordance with this section. Should either the data or the calculations fail to meet the Protocol; the deadlines for the distribution will be adjusted as agreed upon by the Lead Regulatory Negotiators and the Company. The expense of the services performed by AGI shall be borne solely by the Company in an amount not to exceed \$15,000.

5. The Company shall provide written notice to each Compensation Eligible Policyholder of the cash compensation benefit, together with a check for the payment of such benefit. In Force Compensation Eligible policyholders shall receive the notice set out in **Exhibit B**. Terminated Compensation Eligible Policyholders shall receive the notice attached hereto as **Exhibit H**, which has been approved by the Lead Regulatory Negotiators.

C. *Delivery of Notices; Address Searches; Undelivered or Non-Negotiated Checks.*

1. Delivery of Exhibit B and C Notices and Cash Compensation Checks. The Company will mail Exhibit B and C notices to the last known valid permanent home address of the policyholder within 30 days of certification of the Compensation Verification Protocol, unless extended as herein provided. If the Company is unable to find what appears to be a valid address for a policyholder, or if a notice mailed to a policyholder is returned to the Company as undeliverable, the Company will make a thorough search of its Home Office records including use of the policyholder's military address, email address, phone number, and the Internet-based search engine, Accurint, in an effort to obtain a valid current address. If an apparent current address is located, the notice will be mailed or, in the case of a returned notice, re-mailed to that address. If, after a second attempt, an Exhibit B notice letter is returned, the check will be reversed and an equal amount shall be credited to the policyholder's Annuity Accumulation Fund.



2. *Delivery of Exhibit H Notice and Cash Compensation Checks.* The Company will mail Exhibit H notices to the last known valid permanent home address of the terminated policyholder within 30 days of certification of the Compensation Verification Protocol, unless extended as herein provided. If the Company is unable to find what appears to be a valid address for a policyholder, or if a notice mailed to a policyholder is returned to the Company as undeliverable, the Company will make use of the policyholder's military address, e-mail address, phone number, and the Internet-based search engine, Accurant in an effort to obtain a valid current address. If an apparent current address is located, the notice will be mailed or, in the case of a returned notice, re-mailed to that address. If a notice is re-mailed, the policyholder will have 180 days from the postmark of the re-mailed notice to cash or deposit the check. If a second notice is mailed but is returned as undeliverable, the check will be reversed and the details of the cash compensation benefit will be entered into the Log of Unclaimed Benefits for use in the Escheatment Procedure.

3. *Non-Negotiated Checks.* For In Force policyholders, Cash Compensation Benefit checks that remain non-negotiated after a period of 180 days from the last mailing shall be reversed and credited to the policyholder's Annuity Accumulation Account. For terminated policyholders, Cash Compensation Benefit checks that remain non-negotiated after a period of 180 days from date of issue shall be entered into the log of Unclaimed Cash Compensation Benefits for use in the Escheatment Procedure.

4. *Handling of Telephone and/or Mail Inquiries.* In order to respond to telephone or mail inquiries generated by the delivery of the notices set out herein, the Company will assign experienced Customer Service Representatives ("CSRs") within its Customer Service Center to handle calls coming in on the toll-free number contained within the notices. The CSRs will be thoroughly versed in the terms of the settlement, and will be prepared to assist callers or otherwise respond to their inquiries.

5. *Evidence of Good Faith.* The use of the foregoing procedures will be deemed to represent a diligent good faith effort to locate Compensation Eligible

Policyholders and Owners of Eligible Policies for the purpose of compliance with this Agreement.

D. *Escheatment of Unclaimed Compensation Benefit Amounts*

1. Any Cash Compensation Benefits for terminated policyholders which were not distributed or for which checks were not negotiated as reflected in the Log of Unclaimed Cash Compensation Benefits shall escheat to the appropriate state or states in accordance with their escheat procedures. For those individuals for which a proper domicile for escheatment purposes can not be determined, the unclaimed Cash Compensation Benefits shall escheat to the State of Texas.

2. The Log of Unclaimed Cash Compensation Benefits shall reflect the state to which funds escheated for each policyholder identified therein.

**VI. INJUNCTIVE RELIEF RELATING TO SALES OF COMPANY PRODUCTS IN THE MILITARY MARKET**

A. *Incorporation in Consent Order.* Upon the Effective Date, the Company agrees to be restrained or mandatorily enjoined, as the case may be, by the substantive provisions set out in Section VI (B)-(F) below.

B. *Access to Military Personnel*

1. Neither the Company nor any of its agents shall offer for sale, solicit, negotiate the sale of, or sell any Company product on the premises of any U.S. military base, installation, or reservation for a period of five years from the Effective Date. After such time, the Company may apply to the appropriate military authority for an on-base solicitation permit if such application is permitted by applicable law or regulation.

2. For a period of five years from the Effective Date, the Company shall immediately terminate the appointment of any agent upon:

(a) the Company, the Department of Defense, or any applicable state insurance regulator's determining that the agent has solicited, negotiated the sale of, or sold any Company product on the premises of any U.S. military base, installation, or reservation.

(b) the Company's receiving notice that a military or civilian tribunal has finally adjudged an agent to be in violation of military law or regulation regarding the solicitation, negotiation, sale, or funding of any Company product.

(c) the Company's receiving notice that an insurance regulator has finally adjudged an agent to be in violation of the insurance laws or regulations regarding the solicitation, negotiation, or sale of any Company product.

(d) the Company, the Department of Defense, or any applicable state insurance regulator's determining that the agent has solicited, negotiated, or sold any Company product in a jurisdiction in which the agent is not licensed.

(e) the Company, the Department of Defense, or any state insurance regulator's determining that the agent has committed any acts while representing the company which violate any other terms of this agreement which are applicable to agents.

3. The Company and its agents shall discontinue the collection, compilation, distribution, or use of any military personnel membership listings for any purpose related to the solicitation, negotiation, or sale of any Company product.

4. For a period of two years from the Effective Date, neither the Company nor its agents shall participate in any graduation or other supporting or achievement events for any U.S. Noncommissioned Officer (NCO) Academies, "Sergeant Schools," or other such professional development schools by which the U.S. Armed Forces promote military personnel from enlisted to noncommissioned officer or officer status while representing the Company.

5. Neither the Company nor its agents shall sponsor any Morale, Welfare, and Recreation Event (MWR) in connection with representing the Company unless and until the Company receives prior written approval from the applicable MWR officer and a copy of such approval is provided to the base or installation's Staff Judge Advocate (SJA) office.

### *C. Funding Mechanism for Military Personnel*

1. The Company shall comply with all applicable federal, state, and military laws, rules, and regulations relating to the payment for and purchase of Company products including, but not limited to, the following:

(a) neither the Company nor its agents shall possess, complete, submit, or process or assist in the submission or processing of any DD Form 2558 (Authorization to Start, Stop of Change Allotment).

(b) the Company and its agents shall discontinue the use of Treasury Form 1199A unless and until such time as Department of Defense regulations provide otherwise.

(c) Neither the Company nor its agents shall obtain or attempt to obtain, possess or use any personal identification number (PIN) of a Servicemember to arrange for the premium payment of an insurance policy; neither the Company nor its agents shall otherwise assist a Servicemember with the online access and use of the “My Pay” system or any electronic debit system prior to complying with DOD Reg. 1344.7 and completion of related forms, if applicable.

(d) Neither the Company nor its agents shall establish any account or fictitious account in the name of its applicant/insured servicemember at a depository institution for the purpose of receiving funds for the payment of premium.

(e) the Company shall not accept any application for life insurance or issue a policy of life insurance on the life of an enlisted member of the U.S. Army with the rank of E-1, E-2, or E-3 without first obtaining for the Company’s files a completed copy of DA Form 2056 (Commercial Insurance Solicitation Record) which confirms that the applicant has received counseling as required by Army Regulation 210-7.

D. *Product Design and Approval*

1. Four months after the Effective Date, neither the Company nor any of its agents shall offer the Horizon Life Policy. To the extent the Company already has agreed to discontinue the sale of Horizon Life in a particular jurisdiction during the pendency of this matter, the Company agrees that it will not sell Horizon Life in that

jurisdiction. The “phase out” pertains only to jurisdictions in which Horizon Life is still being sold.

2. After the Effective Date, during the “phase out” period, any Horizon Life policy issued in those jurisdictions where Horizon Life is permitted to be sold will not include the Automatic Premium Payments provision.

3. Any Company Product sold in the military market after the Effective Date:

(a) Shall not provide for or require the automatic payment of premiums from any side fund;

(b) Shall not provide for a premium deposit fund that fails to comply with the law or regulations of any Participating Regulator in which the contract is sold;

(c) Shall provide for an unconditional and absolute right of the insured to cancel without penalty (“Free Look”) for a period not less than ninety days from the date the policy is delivered; and

(d) Shall calculate interest to any side fund contribution from the date the contribution was received to the date the contribution is withdrawn.

E. *Marketing Practices*

1. Neither the Company nor its agents shall offer or give anything, of value, directly or indirectly, greater than \$5.00 in any 12 month period, or an amount specified by DOD Regulations, to any servicemember who has direct command authority over or direct responsibility for servicemembers with a rank of E-1 through E-4.

2. Neither the Company nor its agents shall participate in or assist with any class, seminar, or other training for service members regarding personal finance when such class, seminar, or other training occurs on a military base, installation, or reservation.

3. Neither the Company nor its agents shall participate in or assist with any class, seminar, or other training for servicemembers regarding personal finance off of a military reservation where the amount of any inducement to attend such class, seminar, or training exceeds the amount permitted by Applicable Law.

4. The Company and its agents shall:

(a) clearly and conspicuously disclose the fact that the product being sold is life insurance and disclose the cost thereof.

(b) not use or describe the credited interest rate in a manner that implies that the credited interest rate is a net return on premium paid.

(c) disclose that SGLI and VGLI are available to members of the Armed Forces from the federal government.

(d) not make any false, misleading, or deceptive representations regarding exclusions or limitations to coverage under SGLI or VGLI.

(e) not make any false, misleading, or deceptive representations regarding the amounts of coverage available, the costs of coverage, or exclusions or limitations of coverage for spouse or children insured under SGLI or VGLI.

(f) not make any false, misleading, or deceptive representations regarding conversion requirements, including limitations, restrictions, or costs, of SGLI or VGLI to private insurers.

(g) not deploy or use any lead generating materials that do not clearly and conspicuously disclose that the recipient will be contacted by an agent of the Company for the purpose of soliciting the purchase of insurance.

(h) not solicit the purchase of any insurance product through the use of or in conjunction with any third party eleemosynary or charitable organization that promotes the welfare of or assists members of the Armed Forces.

(i) not represent that the life contract costs “nothing” or is “free” or otherwise misrepresent the mortality costs for the product.

(j) not use the “Building Success Marketing System” in connection with the training of agents or the marketing or sale of Company products.

F. *Compliance, Training, and Other Matters*

1. All marketing or sales materials shall be approved by the General Counsel or an Officer or Director of the Company. Such approved materials must be

signed and dated, and maintained at the Company's home office. The Company shall make such material available, upon request, for review or copying by state insurance regulators and the DOJ for a period of five years from the Effective Date.

2. The Company shall create an in-house quality control group to monitor and promote compliance with applicable law and Company policy in connection with the marketing and sale of Company products in the military market. The group may not report to the President and Chief Executive Office through any Company officer responsible for oversight of any marketing, sales, or finance operations. The quality control group shall conduct regular audits of the Company's military field operations.

3. The Company shall provide training to each agent or agency prior to his/its being authorized to sell products to the military market. Such training shall include, without limitation, (1) review of applicable law, rules, and regulations concerning the sale of insurance and/or other financial products to the military market, (2) Company policy concerning the sale of insurance and/or other financial products to the military market, and (3) review of applicable consumer protection laws related to the sale of insurance and other financial products.

4. The Company shall provide annual training of agents authorized to sell products to the military market. Such training shall include, without limitation, (1) review of applicable law, rules, and regulations concerning the sale of insurance and/or other financial products to the military market, (2) Company policy concerning the sale of insurance and/or other financial products to the military market, and (3) review of applicable consumer protection laws related to the sale of insurance and other financial products.

5. The Company shall designate one employee as an in-house policy holder advocate. The employee may not report to the President and Chief Executive Officer through any company officer responsible for oversight of any marketing or sales operation. Among other duties, the policy holder advocate shall be responsible for ensuring the tracking of, the timely response to, and the timely resolution of policy holder complaints and questions, as well as the maintaining of records concerning such complaints and questions, and responses to and resolutions thereof. Each complaint shall

be maintained in a complaint log, to include the name, address, and issue of each complaint and/or as required by state law. Such complaint log shall be maintained at the Company's home office and made available, upon request, for review and copying by state regulators and the DOJ and/or as required by state law.

6. The Company shall create a toll free telephone number and an e-mail address for policy holder complaints and questions. Such telephone number and e-mail address shall be accessible to policy holders outside of the United States. The Company website and all Company correspondence with any policy holder shall clearly and conspicuously display both the telephone number and e-mail address, and shall identify the number and address as being devoted to policy holder complaints and questions.

7. The Company shall require that each agent submit a written statement in response to a customer complaint. To the extent such complaint is not in writing, the Company shall prepare a written summary of the complaint. The Company shall maintain records of the statements, summaries, and complaints referenced in this paragraph for five years after the receipt of the complaint.

8. The Company shall maintain a compliance committee to assess, on a quarterly basis, the Company's compliance with this Agreement. The panel shall develop, maintain, and distribute a code of ethics for all employees, agents, and agencies engaged in the sale of any product to the military market. The code of ethics must, among other things, stress the importance of clearly, simply, and completely explaining Company products to Company customers.

9. Within ninety days after the Effective Date, the Company must provide a copy of Section VI of this Consent Order and obtain a signed and dated acknowledgment of receipt from each of its employees, agents, and agencies who sell or market Company products to members of the United States Armed Forces. For five years after the Effective Date, the Company shall provide a copy of Section VI of this Consent Order and obtain a signed and dated acknowledgment of receipt from future employees, agents, and agencies who sell or market Company products to members of the United States Armed Forces within thirty days after the person or entity becomes an employee, agent, or agency of the Company.



10. One year after the Effective Date, and then annually for four years thereafter, the Company shall provide to the United States Attorney's Office for the Eastern District of Pennsylvania, the Georgia Department of Insurance, and the Texas Department of Insurance, a report documenting the Company's compliance with this Consent Order. The report shall show the manner by which the Company has complied with this Consent Order. The report must also include a summary of any inquiries, administrative actions, proceedings, or other similar complaints from or by any branch of the United States military, any military installation, and/or any state related to the sale of Company products in the military market. Upon request of the United States Attorney's Office for the Eastern District of Pennsylvania, the Georgia Department of Insurance, or the Texas Department of Insurance, the Company shall provide any document, if available, setting forth any inquiry, administrative action, proceeding, or other similar complaint from or by any branch of the United States military, any military installation, and/or any state. Upon request of the United States Attorney's Office for the Eastern District of Pennsylvania, the Georgia Department of Insurance, or the Texas Department of Insurance, the Company shall (1) make its employees reasonably available for interview concerning the report described in this paragraph and (2) provide such records and documents as reasonably bear on compliance with this Agreement.

## **VII. GENERAL AND ADMINISTRATIVE PROVISIONS**

A. Scope of Consent Order: This Consent Order is entered into pursuant to 18 U.S.C. § 1345 and is applicable to the Company, its officers, agents, employees, and attorneys, and all those persons or entities in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, whether acting directly or through any entity, corporation, subsidiary, division, or other device.

B. Release by United States: By its execution of the Consent to Entry of Order attached hereto, and in consideration of and in accordance with the Company's agreement to be legally bound by the provisions contained in this Consent Order, the United States, on behalf of itself, and its officers, agents, agencies, and departments, upon

the Effective Date (as defined herein), releases and forever discharges the Company, its past and present officers, directors, attorneys, insurers, and assigns (collectively, the “Released Parties”) from all manner of claims for injunctive relief under 18 U.S.C. § 1345 based on the conduct set forth in paragraph VII(C) (the “Covered Conduct”).

C. Covered Conduct: The specific conduct covered by this Consent Order is for the period January 1, 2000, through the Effective Date of this Consent Order and is all conduct relating to the Horizon Life product or the marketing and sale of that product to United States military personnel.

D. Limitations on Release by United States: The United States does not release the Released Parties, or any other entity or individual under this Consent Order from (1) any criminal, civil, or administrative claims arising under Title 26, U.S. Code (Internal Revenue Code) or Internal Revenue Service Regulations; (2) any administrative liability; (3) any criminal liability; (4) any liability to the United States (or its agencies) for any conduct other than the Covered Conduct; (5) any claim arising under statute, law, or regulation other than those identified in VII(A); (6) any claim, right, or cause of action that could be brought by any person or entity other than the United States; and (7) any obligations created by this Consent Order or related to disputes and claims for the enforcement of this Consent Order.

E. Unallowable Costs: The Company agrees that all costs (as defined by Federal Acquisition Regulation (“FAR”) 31.205-47) incurred by or on behalf of the Company and its officers, directors, agents, and employees in connection with (1) the matters covered by this Consent Order; (2) any government entity’s investigation of the matters covered by this Consent Order; (3) the Company’s investigation, defense of the

matters, and corrective actions relating to this matter; (4) the negotiation of this Consent Order or any related agreement; and (5) any payment made to the United States or any other government entity pursuant to the Consent Order or any related agreement, shall be unallowable costs for government accounting purposes. These unallowable costs will be separately estimated and accounted for by the Company. The Company will not charge such unallowable costs directly or indirectly to any contracts with the United States. Any such cost previously submitted or treated by the Company as an allowable cost for government accounting purposes shall be withdrawn and any charge or charges previously submitted that were based on such cost shall be adjusted accordingly.

F. Waiver of Certain Defenses and Claims: The Company waives and will not assert any defense it may have to any criminal prosecution or administrative action related to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Consent Order bars a remedy sought in such criminal prosecution or administrative action. Nothing in this paragraph or any other provision of this Consent Order constitutes an agreement by the United States concerning the characterization of any payments made pursuant to this Consent Order for purposes of the Internal Revenue laws, Title 26 of the United States Code.

G. Preservation of Law Enforcement Action: Nothing herein precludes the United States from enforcing the provisions of this Consent Order, or from pursuing any claims with respect to acts or practices not covered by this Consent Order or any acts or practices conducted after the Effective Date of this Consent Order. Nothing in this Order

limits the United States' lawful use of compulsory process to investigate whether the Company has violated any provision of law enforced by the United States.

H. Compliance with and Application of Federal Law: Nothing herein relieves the Company of its duty to comply with applicable laws of the United States nor constitutes authorization by the United States for the Company to engage in acts and practices prohibited by such laws. Nothing herein relieves the Company of any duties or obligations it may have with respect to the SEC Agreement.

I. Compliance with and Application of State Law: Nothing herein relieves the Company of its duty to comply with applicable laws of any state or the District of Columbia nor constitutes authorization by any state or the District of Columbia for the Company to engage in acts and practices prohibited by such laws. Nothing herein relieves the Company of any duties or obligations it may have with respect to the Multi-State Agreement.

J. Jurisdiction: Jurisdiction is retained over this matter for all purposes, including without limitation the purpose of enabling any of the parties to the Order to apply to the Court at any time for such further orders or directives as may be necessary or appropriate for the interpretation or modification of this Order, for the enforcement or compliance therewith, or for the punishment of violations thereof.

K. Enforcement Proceeding; Notice: The United States shall give the Company thirty days' notice before filing a motion or other pleading seeking contempt of court or other sanctions for violation of this Consent Order. The giving of such notice shall not prevent the United States from beginning such proceeding following the expiration of the thirty day period.

L.     Modification: Any party to this Consent Order may petition the Court for modification on thirty days' notice to all other parties to this Consent Order. The parties by stipulation may agree to a modification of this Consent Order, which agreement shall be presented to this Court for consideration, provided that the parties may jointly agree to a modification only by a written instrument signed by or on behalf of both the Company and the United States. If the Company wishes for a modification, it shall send a written request for agreement to such modification to the United States at least thirty days prior to filing a motion with the Court for such modification. Within thirty days of receipt from the Company of a written request for agreement to modify, the United States shall notify the Company in writing if the United States agrees to the requested modification.

M.     Release by The Company: The Company, on behalf of its subsidiaries, affiliates, assigns, and corporate predecessors and successors, fully and finally releases, waives, and discharges the United States, its agencies, employees, servants, and agents from any claims (including attorneys' fees, costs, and expenses of every kind and however denominate) that the Company has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants and agents, related to or arising from the United States' investigation and prosecution of the Covered Conduct.

N.     Beneficiaries of Consent Order: The terms of this Consent Order are not intended to release or inure to the benefit or in any way to create a benefit in favor of any individual, corporation, or business entity not a party to this Consent Order, except as expressly set forth herein.

O. Binding Nature of Consent Order: This Consent Order shall be binding on all heirs, successors, transferees, and assigns of all parties.

P. Costs: Except as expressly set forth herein, each party to this Consent Order shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance pursuant to the terms of this Order.

Q. Public Disclosure: All parties consent to the disclosure of this Consent Order, and all information about this Consent Order to the public, and the Company waives any legal rights it may have, including without limitation those granted by the Privacy Act, 5 U.S.C. § 522a, to maintain as confidential this Consent Order and information about this Consent Order.

R. Execution in Counterparts: This Consent Order may be executed in counterparts, each of which constitutes an original and all of which together shall constitute one and the same instrument.

S. Notices: All notices, requests, demands, and any other communications to the United States arising under this Consent Order shall be in writing and sent by first class United States mail, addressed as follows, unless otherwise indicated by this Consent Order:

Assistant United States Attorney Michael S. Blume  
United States Attorney's Office  
615 Chestnut Street, Suite 1250  
Philadelphia, PA 19106

All notices, requests, demands, and any other communications to the Company arising under this Consent Order shall be in writing and sent by first class United States mail, addressed as follows, unless otherwise indicated by this Consent Order:

Thomas L. Strickland, Esq.  
Hogan & Hartson L.L.P.  
One Tabor Center  
1200 Seventeenth Street  
Suite 1500  
Denver, CO 80202

All notices, requests, demands, and any other communications to the United States Securities and Exchange Commission or any state government entity shall be governed by the Final Judgment and the Multi-State Agreement.

T.     Requisite Authorities; Voluntary Execution: Each person who signs this Consent Order in a representative capacity warrants that he or she is duly authorized to do so. Further, each Party for himself or itself, as the case may be, (1) acknowledges that such Party has been advised by competent legal counsel in connection with the execution of this Consent Order and the accompanying releases, has read each and every paragraph of this Consent Order, understands the respective rights and obligations set forth herein, and (2) represents that the commitments, acknowledgements, representations, and promises set forth herein are freely and willingly undertaken and given.

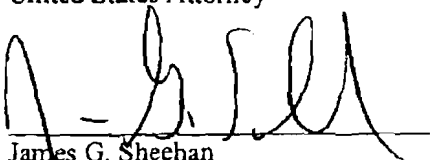
U.     This Consent Order represents and expresses the entire agreement between the Parties with respect to this Consent Order, and there are no other agreements, understandings, representations, warranties, inducements, or consideration, except as expressly stated in this Consent Order. This Consent Order shall not be amended except as set forth herein.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

ON BEHALF OF THE UNITED STATES OF AMERICA



Patrick L. Meehan  
United States Attorney




James G. Sheehan  
Associate U.S. Attorney



Michael S. Blume  
Assistant U.S. Attorney

ON BEHALF OF AMERICAN-AMICABLE LIFE INSURANCE  
COMPANY OF TEXAS, PIONEER AMERICAN INSURANCE  
COMPANY, and PIONEER SECURITY LIFE INSURANCE COMPANY



Shelby Land Peavy  
President and Chief Executive Officer, American-Amicable Life Insurance  
Company of Texas  
President and Chief Executive Officer, Pioneer American Insurance Company  
President and Chief Executive Officer, Pioneer Security Life Insurance Company

Approved and so ordered.

Dated: \_\_\_\_\_

BY THE COURT:

\_\_\_\_\_

Judge, United States District Court



## Exhibit A - Eligible Policy Count by Jurisdiction

Policies Eligible for Either Compensation Relief or Contract Relief by Issue Jurisdiction					
Rank	Issue Jurisdiction	By Jurisdiction		Cumulative	
		Policy Count	%	Count	%
1	TX	13,795	15.3%	13,795	15.3%
2	CA	9,440	10.4%	23,235	25.7%
3	IL	9,159	10.1%	32,394	35.8%
4	GA	6,406	7.1%	38,800	42.9%
5	NC	5,458	6.0%	44,258	48.9%
6	HI	4,700	5.2%	48,958	54.1%
7	FL	4,692	5.2%	53,650	59.3%
8	VA	4,257	4.7%	57,907	64.0%
9	SC	3,827	4.2%	61,734	68.3%
10	CT	2,292	2.5%	64,026	70.8%
11	LA	1,969	2.2%	65,995	73.0%
12	CO	1,391	1.5%	67,386	74.5%
13	MS	1,366	1.5%	68,752	76.0%
14	OH	1,221	1.4%	69,973	77.4%
15	KS	1,200	1.3%	71,173	78.7%
16	WA	1,146	1.3%	72,319	80.0%
17	AK	1,035	1.1%	73,354	81.1%
18	TN	917	1.0%	74,271	82.1%
19	NV	828	0.9%	75,099	83.1%
20	KY	716	0.8%	75,815	83.9%
21	OK	682	0.8%	76,497	84.6%
22	MO	628	0.7%	77,125	85.3%
23	AZ	526	0.6%	77,651	85.9%
24	WV	462	0.5%	78,113	86.4%
25	IN	432	0.5%	78,545	86.9%
26	MD	390	0.4%	78,935	87.3%
27	UT	379	0.4%	79,314	87.7%
28	AL	355	0.4%	79,669	88.1%
29	MT	347	0.4%	80,016	88.5%
30	MI	337	0.4%	80,353	88.9%
31	ND	304	0.3%	80,657	89.2%
32	AR	293	0.3%	80,950	89.5%
33	NM	272	0.3%	81,222	89.8%
34	PA	261	0.3%	81,483	90.1%
35	DC	236	0.3%	81,719	90.4%
36	NE	228	0.3%	81,947	90.6%
37	WI	142	0.2%	82,089	90.8%
38	WY	90	0.1%	82,179	90.9%
39	DE	77	0.1%	82,256	91.0%
40	MA	49	0.1%	82,305	91.0%
41	SD	49	0.1%	82,354	91.1%
42	OR	44	0.0%	82,398	91.1%
43	ID	37	0.0%	82,435	91.2%
44	NJ	27	0.0%	82,462	91.2%
45	RI	17	0.0%	82,479	91.2%
46	IA	5	0.0%	82,484	91.2%
47	MN	4	0.0%	82,488	91.2%
48	ME	1	0.0%	82,489	91.2%
49	Puerto Rico	3,649	4.0%	86,138	95.3%
50	Germany	2,689	3.0%	88,827	98.2%
51	Japan	814	0.9%	89,641	99.1%
52	England	525	0.6%	90,166	99.7%
53	Italy	148	0.2%	90,314	99.9%
54	Guam	38	0.0%	90,352	99.9%
55	France	27	0.0%	90,379	100.0%
56	Spain	17	0.0%	90,396	100.0%
57	Philippines	14	0.0%	90,410	100.0%
58	Chile	2	0.0%	90,412	100.0%
59	Virgin Islands	2	0.0%	90,414	100.0%
60	Argentina	1	0.0%	90,415	100.0%
61	Holland	1	0.0%	90,416	100.0%
	Total	90,416	100.0%		

## **Exhibit B - Notice to In Force Compensation Eligible Policyholders**

Dear current or former U.S. Servicemember:

You are receiving this letter because you have been identified as a current or former U.S. Servicemember or the spouse or dependent of a U.S. Servicemember who purchased a Horizon Life or "Wealth Builder" Policy from American-Amicable Life Insurance Company of Texas, Pioneer American Insurance Company or Pioneer Security Life Insurance Company (together, the "American-Amicable Companies") between January 1, 2000 and June \_\_, 2006, and a death claim has not been paid nor have you received a full refund on that policy.

You have been sent this letter and the enclosed check as a result of a settlement of legal claims and allegations brought against the American-Amicable Companies involving their sales of Horizon Life or Wealth Builder insuring certain U.S. Servicemembers. The claims were brought by member states of the National Association of Insurance Commissioners, the United States acting through the United States Attorney's Office for the Eastern District of Pennsylvania, and the United States Securities and Exchange Commission.

The amount of the check you are receiving is based on a formula developed and approved by these government parties that takes into account whether you are a current or former policyholder and how much money you paid to the American-Amicable Companies for your Horizon Life or Wealth Builder Policy. Therefore, the check amounts may differ for each policy.

**Please deposit your check as soon as possible. If your check is not deposited or cashed within 180 days from the date appearing on the check, the check will be cancelled and the amount will be deposited into your Annuity Accumulation Fund (side fund).**

In addition, the settlement has changed your Horizon Life or Wealth Builder Policy in two ways. First, if your policy includes a Twentieth Year Accumulation Value Additions Endorsement,<sup>1</sup> the cash surrender value on your policy has been increased. Second, the Automatic Premium Payments provision of your policy has been cancelled. If any insurance premiums remain unpaid on the last day of the grace period for which premiums are due, those premiums are no longer being paid from funds you have accumulated in the Annuity Accumulation Fund. If you want to reinstate the Automatic Premium Payment provision so that premiums can be paid from your Annuity Accumulation Fund automatically, you must tell one of the Companies that in writing.

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<sup>1</sup> Policies sold in Washington, New Jersey, and Pennsylvania do not include Twentieth Year Accumulation Value Additions Endorsements.

Please call the toll-free number below to discuss this option or if you have any questions regarding the settlement.

More information about the settlement can be found at [www.sec.gov](http://www.sec.gov), [www.justice.gov/usao/pae/](http://www.justice.gov/usao/pae/), [www.inscomm.state.ga.us/](http://www.inscomm.state.ga.us/) and [www.tdi.state.tx.us/](http://www.tdi.state.tx.us/).

If you have any questions, please call 1-800-736-7311. Customer service representatives will be available to assist you.

Sincerely,

The American-Amicable Companies

## **Exhibit C - Notice to Owners of Eligible Policies, No Compensation**

Dear Policyholder:

You are receiving this letter because you have been identified as having purchased a Horizon Life or "Wealth Builder" Policy from American-Amicable Life Insurance Company of Texas, Pioneer American Insurance Company, Pioneer Security Life Insurance Company or Occidental Life Insurance Company of North Carolina (together, the "American-Amicable Companies"), and a death claim has not been paid nor have you received a full refund on that policy.

You have been sent this letter as a result of a settlement of legal claims and allegations brought against the American-Amicable Companies involving their sales of Horizon Life or Wealth Builder insuring certain U.S. Servicemembers. The claims were brought by member states of the National Association of Insurance Commissioners and the United States acting through the United States Attorney's Office for the Eastern District of Pennsylvania.

The settlement has changed your Horizon Life or Wealth Builder Policy in two ways. First, if your policy includes a Twentieth Year Accumulation Value Additions Endorsement,<sup>2</sup> the cash surrender value on your policy has been increased. Second, the Automatic Premium Payments provision of your policy has been cancelled. If any insurance premiums remain unpaid on the last day of the grace period for which premiums are due, those premiums are no longer being paid from funds you have accumulated in the Annuity Accumulation Fund. If you want to reinstate the Automatic Premium Payment provision so that premiums can be paid from your Annuity Accumulation Fund automatically, you must tell one of the Companies that in writing. Please call the toll-free number below to discuss this option or if you have any questions regarding the settlement.

More information about the settlement can be found at [www.inscomm.state.ga.us/](http://www.inscomm.state.ga.us/), [www.tdi.state.tx.us/](http://www.tdi.state.tx.us/) and [www.justice.gov/usao/pae/](http://www.justice.gov/usao/pae/).

If you have any questions, please call 1-800-736-7311. Customer service representatives will be available to assist you.

Sincerely,

The American-Amicable Companies

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<sup>2</sup> Policies sold in Washington, New Jersey, and Pennsylvania do not include Twentieth Year Accumulation Value Additions Endorsements.

## **Exhibit D – Order Requiring Special Deposit**

No. \_\_\_\_\_

**OFFICIAL ORDER**  
*of the*  
**COMMISSIONER OF INSURANCE**  
*of the*  
**STATE OF TEXAS**  
**AUSTIN, TEXAS**

Date: \_\_\_\_\_

*Subject Considered:*

**American-Amicable Life Insurance Company of Texas**  
Waco, Texas

**Pioneer American Insurance Company**  
Waco, Texas

**Pioneer Security Life Insurance Company**  
Waco, Texas

### **Order Requiring Special Deposit**

*General remarks and official action taken:*

On this day, the Commissioner of Insurance (“the Commissioner”) considered whether he should require American-Amicable Life Insurance Company of Texas, Waco, Texas, Pioneer American Insurance Company, Waco, Texas and Pioneer Security Life Insurance Company, Waco, Texas ( hereafter collectively, the “Companies”) to jointly and severally make a Special Deposit with the Comptroller of Public Accounts for the State of Texas under TEX. INS. CODE ANN. art. 1.33. The Companies are domestic life insurance companies authorized to conduct the business of insurance in the State of Texas.

The Commissioner finds that the Companies by entering on this day into the Multi-State Regulatory Settlement Agreement have agreed to make a Special Deposit with the

Comptroller of Public Accounts for the State of Texas in the amount of \$10,000,000. Said Agreement is attached to this Order and incorporated herein as Exhibit A.

The Commissioner, THEREFORE, ORDERS that the Companies, jointly and severally, make a Special Deposit with the Comptroller of Public Accounts for the State of Texas in the amount of \$10,000,000 in cash, investment grade securities, securities authorized under the Texas Insurance Code, or other form of security acceptable to the Commissioner, within 5 days of the date that this Order is entered.

The Commissioner FURTHER ORDERS that the Special Deposit shall be held to secure obligations due from the Companies to Compensation Eligible Policyholders as described and defined in Exhibit A.

The Commissioner FURTHER ORDERS that, in the event that the Companies are not able to fulfill their obligations to Compensation Eligible Policyholders, the Special Deposit shall be used exclusively to fulfill those obligations and for no other purpose.

The Commissioner FURTHER ORDERS that the Special Deposit shall be held until such time as the Commissioner issues a written order pursuant to TEX. INS. CODE ANN., art. 1.33, § 5, finding that the condition for which the deposit was required no longer exists.

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MIKE GEESLIN  
COMMISSIONER OF INSURANCE

Recommended by:

---

Tina M. Saucedo  
Bonds & Securities Officer  
Company Licensing & Registration

**Exhibit E - Twentieth Year Accumulation Value Additions Endorsement<sup>1</sup>**  
**Cash Value Per \$1000 Of Base Term Policy Face Amount**

Policy Year	Issue Age										
	0-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	0.12	0.13	0.14	0.15	0.23	0.30	0.36	0.48	0.60	0.75	0.90
3	0.50	0.54	0.58	0.62	0.94	1.25	1.50	2.00	2.50	3.12	3.75
4	1.18	1.26	1.36	1.47	2.21	2.94	3.53	4.71	5.89	7.36	8.83
5	2.20	2.36	2.54	2.75	4.12	5.49	6.59	8.79	10.98	13.73	16.48
6	3.61	3.87	4.17	4.51	6.76	9.02	10.82	14.43	18.04	22.55	27.06
7	5.46	5.87	6.31	6.83	10.24	13.66	16.39	21.85	27.32	34.14	40.97
8	8.19	8.79	9.45	10.23	15.35	20.46	24.56	32.74	40.93	51.16	61.39
9	12.26	13.16	14.16	15.32	22.98	30.64	36.77	49.03	61.29	76.61	91.93
10	17.87	19.19	20.64	22.34	33.51	44.68	53.61	71.48	89.36	111.70	134.03
11	25.24	27.11	29.15	31.55	47.33	63.10	75.72	100.97	126.21	157.76	189.31
12	34.61	37.17	39.97	43.26	64.89	86.51	103.82	138.42	173.03	216.29	259.54
13	46.23	49.65	53.39	57.79	86.68	115.57	138.69	184.92	231.14	288.93	346.72
14	60.40	64.87	69.77	75.51	113.26	151.01	181.21	241.62	302.02	377.53	453.03
15	77.46	83.19	89.46	96.82	145.23	193.65	232.37	309.83	387.29	484.11	580.94
16	97.75	104.99	112.90	122.19	183.29	244.38	293.26	391.01	488.76	610.95	733.14
17	121.69	130.69	140.55	152.11	228.16	304.21	365.06	486.74	608.43	760.54	912.64
18	149.70	160.78	172.91	187.13	280.69	374.26	449.11	598.81	748.52	935.65	1,122.78
19	182.29	195.78	210.55	227.87	341.80	455.74	546.88	729.18	911.47	1,139.34	1,367.21
20 <sup>2</sup>	220.00	236.28	254.10	275.00	412.50	550.00	660.00	880.00	1,100.00	1,375.00	1,650.00

Cash Value factors are end of policy year. The Cash Value between policy year ends is linearly interpolated based on the date of policy surrender or lapse.

<sup>1</sup> Twentieth Year Accumulation Value Additions Endorsement refers to policy forms AA8904, PA8904, PS8904.

<sup>2</sup> Cash Value is equal to the Twentieth Year Accumulation Value Additions benefit per \$1000 base term policy face amount at the end of policy year 20.

## **Exhibit F – Cash Compensation Formula**

**Terminated Policies** - Each Compensation Eligible Policyholder with a policy in a terminated status on the Effective Date will receive a cash payment consisting of a fixed payment of \$100.

Once the fixed payments are allocated to all terminated Compensation Eligible Policyholders, each terminated Compensation Eligible Policyholder is then entitled to an additional cash payment consisting of his/her pro rata share of the remaining aggregate cash Compensation benefit.

A policyholder's pro rata share shall be calculated as the sum of all life insurance premiums paid by that individual Compensation Eligible Policyholder, divided by the sum of all life insurance premiums paid by all Compensation Eligible Policyholders, multiplied by the aggregate cash Compensation benefit remaining after fixed payments are allocated to the terminated Compensation Eligible Policyholders.

**In Force Policies** - Each Compensation Eligible Policyholder with a policy in an active status on the Effective Date will receive a cash payment consisting of his/her pro rata share of the aggregate cash Compensation benefit remaining after fixed payments are allocated to the terminated Compensation Eligible Policyholders.

A policyholder's pro rata share shall be calculated as the sum of all life insurance premiums paid by that individual Compensation Eligible Policyholder, divided by the sum of all life insurance premiums paid by all Compensation Eligible Policyholders, multiplied by the aggregate cash Compensation benefit remaining after fixed payments are allocated to the terminated Compensation Eligible Policyholders.

In the event that any individual In Force Compensation Eligible Policyholder's pro rata share is calculated to be less than \$5.00, that policyholder shall not receive a cash payment and shall instead receive the Notice set out in Exhibit C. All such pro rata share amounts of less than \$5.00 shall be added back into the aggregate cash Compensation benefit, and the pro rata shares shall be re-calculated among the remaining In Force Compensation Eligible Policyholders.



## Exhibit G – Compensation Verification Protocol

Procedure	Primary Audit Objective	Examiner	Date
<p>1) Request download of all Compensation benefits anticipated in electronic format. File should contain:</p> <ul style="list-style-type: none"> <li>a) Name</li> <li>b) Address</li> <li>c) Policy number</li> <li>d) Amount of Compensation payable</li> <li>e) Amount of cash surrender increase</li> <li>f) Status of policy (active, term, etc)</li> <li>g) Military or civilian</li> <li>h) Sum of premium paid for life product</li> <li>i) Date of issue</li> <li>j) State of issue</li> <li>k) Termination Date, if applicable</li> </ul> <p>Before download is finalized, specific fields will be discussed with the multi-state exam team and American-Amicable to confirm all necessary fields are provided.</p>	Completeness Accuracy		
<p>2) Link Compensation benefit download to master file provided to exam team at 10/04 using computer aided audit techniques to identify any policies that are not included on the Compensation download but meet the settlement criteria when applied to the 10/04 master file download.</p> <p>Identify list of differences and research.</p>	Completeness		
<p>3) Pull statistical sample of policies receiving Compensation for detailed review and recalculation of Compensation benefit. Sample of 100 is anticipated.</p> <ul style="list-style-type: none"> <li>a) Test to source data in policy file</li> <li>b) Verify accuracy of Compensation calculation</li> </ul>	Accuracy		

Procedure	Primary Audit Objective	Examiner	Date
4) Perform computer aided audit techniques to identify a targeted sample of remediated policies for detailed review and recalculation. Sample items will be targeted based upon high, low, or other unusual data relationships noted in download. Sample of 20 is anticipated. a) Test to source data in policy file b) Verify accuracy of Compensation calculation	Accuracy		
5) Recalculate Compensation for all policies using computer audit techniques as test of reasonableness. Identify any material differences.	Accuracy		
6) Provide summary report of data verification performed. a) Document procedures performed b) Report results of review	Reporting		

## **Exhibit H – Notice to Terminated Compensation Eligible Policyholders**

Dear current or former U.S. Servicemember:

You are receiving this letter because you have been identified as a current or former U.S. Servicemember or the spouse or dependent of a U.S. Servicemember who purchased a Horizon Life or Wealth Builder Policy from American-Amicable Life Insurance Company of Texas, Pioneer American Life Insurance Company or Pioneer Security Life Insurance Company (together, the “American-Amicable Companies”) between January 1, 2000 and June \_\_, 2006, and the policy is no longer in force and you have not received a full refund on that policy.

You have been sent this letter and the enclosed check as a result of a settlement of legal claims and allegations brought against the American-Amicable Companies involving their sales of Horizon Life or Wealth Builder insuring certain U.S. Servicemembers. The claims were brought by member states of the National Association of Insurance Commissioners, the United States acting through the United States Attorney’s Office for the Eastern District of Pennsylvania, and the United States Securities and Exchange Commission.

The amount of the check you are receiving is based on a formula developed and approved by these government parties that takes into account whether you are a current or former policyholder and how much money you paid to the American-Amicable Companies for your Horizon Life or Wealth Builder Policy. Therefore, the check amounts may differ for each policy.

**Please deposit your check as soon as possible. If your check is not deposited or cashed within 180 days from the postmark date of this notice, it will be cancelled and in order to receive payment you must call the toll free number listed below.**

More information about the settlement can be found at [www.sec.gov](http://www.sec.gov), [www.justice.gov/usao/pae/](http://www.justice.gov/usao/pae/), [www.inscomm.state.ga.us/](http://www.inscomm.state.ga.us/) and [www.tdi.state.tx.us/](http://www.tdi.state.tx.us/).

If you have any questions, please call 1-800-736-7311. Customer service representatives will be available to assist you.

Sincerely,

The American-Amicable Companies